

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name BRIDGEWATER TOWNSHIP	County WASHTENAW
Fiscal Year End MARCH 31, 2006	Opinion Date JULY 18, 2006	Date Audit Report Submitted to State AUGUST 22, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

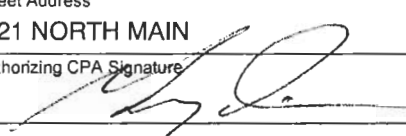
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) ROBERTSON, EATON & OWEN, PC		Telephone Number 517-265-6154		
Street Address 121 NORTH MAIN		City ADRIAN	State MI	Zip 49221
Authorizing CPA Signature 		Printed Name GARY OWEN		License Number 1101008646

July 18, 2006

To the Board of Trustees
Bridgewater Township
Washtenaw County, Michigan

Comments and recommendations regarding your audited financial statements for the year ended March 31, 2006 are as follows:

DOCUMENTATION

It came to our attention during our test of transactions that additional documentation should be attached to reimbursements to all board members and employees. Reimbursements for mileage should include the number of miles traveled to each destination and a description of business transacted. A reimbursement for mileage to and from the township hall is considered a commuting expense and is not eligible for reimbursement.

Other reimbursements should include original receipts and a description of the business purpose.

ESCROW ACCOUNTS

The activity in escrow accounts should be accounted for in its related revenue and expenditure account at a minimum on an annual basis.

Robertson, Eaton & Owen P.C.

**BRIDGEWATER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2006

**WITH
INDEPENDENT AUDITORS' REPORT**

**BRIDGEWATER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

INDEPENDENT AUDITORS' REPORT

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**BRIDGEWATER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended March 31, 2006

As management of Bridgewater Township, Washtenaw County, Michigan, we offer readers of Bridgewater Township, Washtenaw County, Michigan's financial statements this narrative overview and analysis of the financial activities of Bridgewater Township, Washtenaw County, Michigan for the fiscal year ended March 31, 2006. We encourage readers to consider the information presented here.

Financial Highlights

- The assets of Bridgewater Township, Washtenaw County, Michigan exceeded its liabilities at the close of the most recent fiscal year \$1,649,902 (*net assets*). Of this amount, \$368,387 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased \$149,539. This increase is mainly due to the Capital Sewer Grant and Special Assessment.
- At the end of the current year, unreserved fund balance for the general fund was \$234,597 or 62.7 percent of total General Fund expenditures.
- Bridgewater Township, Washtenaw County, Michigan's total debt was \$1,045,000 at March 31, 2006.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Bridgewater Township, Washtenaw County, Michigan's basic financial statements. Bridgewater Township, Washtenaw County, Michigan's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Bridgewater Township, Washtenaw County, Michigan's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Bridgewater Township, Washtenaw County, Michigan's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Bridgewater Township, Washtenaw County, Michigan is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of Bridgewater Township, Washtenaw County, Michigan that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Bridgewater Township, Washtenaw County, Michigan include the general government, fire and police protection, and road maintenance. The business-type activities of Bridgewater Township, Washtenaw County, Michigan is the sewer system.

The government-wide financial statements can be found on pages 5 – 6 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Bridgewater Township, Washtenaw County, Michigan, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Bridgewater Township, Washtenaw County, Michigan can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Bridgewater Township, Washtenaw County, Michigan maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, which is considered to be a major fund.

Bridgewater Township, Washtenaw County, Michigan adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with budget.

The basic governmental fund financial statements can be found on pages 7 – 10 of this report.

Proprietary Fund. Bridgewater Township, Washtenaw County, Michigan maintains one type of Proprietary Fund. The *Enterprise Fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. Bridgewater Township, Washtenaw County, Michigan uses an Enterprise Fund to account for its Sewer Fund.

The Proprietary Fund provides the same type of information as the government-wide financial statements, only in more detail. The Proprietary Fund financial statements provide separate information for the Sewer Fund, which is considered to be a major fund of Bridgewater Township, Washtenaw County, Michigan.

The basic Proprietary Fund financial statements can be found on pages 11 – 14 of this report.

Fiduciary Fund. The Fiduciary Fund is used to account for resources held under tax collection activity. The Fiduciary Fund is *not* reflected in the government-wide financial statement. The accounting used for the Fiduciary Fund is much like that used for the Proprietary Fund.

The basic Fiduciary Fund financial statement can be found on page 15 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 – 26 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Bridgewater Township, Washtenaw County, Michigan, assets exceeded liabilities by \$1,649,902 at the close of the most recent fiscal year.

By far the largest portion of Bridgewater Township, Washtenaw County, Michigan's net assets (68.7 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, sewer system), less any related debt used to acquire those assets that is still outstanding. Bridgewater Township, Washtenaw County, Michigan uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Bridgewater Township, Washtenaw County, Michigan's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Bridgewater Township, Washtenaw County, Michigan's Net Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals 2006</u>	<u>2005</u>
Current and other assets	\$ 402,733	\$ 911,718	\$ 1,314,451	\$ 1,435,873
Capital assets	<u>145,091</u>	<u>2,034,033</u>	<u>2,179,124</u>	<u>1,996,781</u>
Total assets	<u>\$ 547,824</u>	<u>\$ 2,945,751</u>	<u>\$ 3,493,575</u>	<u>\$ 3,432,654</u>
Long term liabilities outstanding	\$	\$ 1,045,000	\$ 1,045,000	\$ 1,095,000
Other liabilities	<u>31,035</u>	<u>767,638</u>	<u>798,673</u>	<u>837,291</u>
Total liabilities	<u>\$ 31,035</u>	<u>\$ 1,812,638</u>	<u>\$ 1,843,673</u>	<u>\$ 1,932,291</u>
Net assets:				
Invested in capital assets, net of related debt	\$ 145,091	\$ 989,033	\$ 1,134,124	\$ 901,781
Restricted	137,101	10,290	147,391	168,755
Unrestricted	<u>234,597</u>	<u>133,790</u>	<u>368,387</u>	<u>429,827</u>
Total net assets	<u>\$ 516,789</u>	<u>\$ 1,133,113</u>	<u>\$ 1,649,902</u>	<u>\$ 1,500,363</u>

A portion of Bridgewater Township, Washtenaw County, Michigan's net assets (9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$368,387) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Bridgewater Township, Washtenaw County, Michigan is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

A summary of Bridgewater Township's change in net assets follows:

Summary of Bridgewater Township, Washtenaw County, Michigan's Change in Net Assets

	Governmental Activities	Business-type Activities	2006 Totals	2005 Totals
Program revenues:				
Permit fees	43,295		43,295	13,380
Fire	11,752		11,752	12,428
Administrative tax collection fee	28,316		28,316	30,068
Waste reduction	1,181		1,181	0
Police donation				31,445
Capital grant		<u>106,013</u>	<u>106,013</u>	<u>646,367</u>
Total program revenues	84,544	106,013	190,557	733,688
General revenues:				
Property taxes	234,414		234,414	226,564
State revenues	111,168		111,168	108,970
Investment earnings	13,502	47,655	61,157	22,958
Other	<u>5,899</u>	<u>26,866</u>	<u>32,765</u>	<u>1,258</u>
Total general revenues	<u>364,983</u>	<u>74,521</u>	<u>439,504</u>	<u>359,750</u>
Total revenues	<u>\$449,527</u>	<u>\$180,534</u>	<u>\$630,061</u>	<u>\$1,093,438</u>
Program expenses:				
Governmental activities:				
General government	166,440		166,440	142,095
Public safety	130,954		130,954	120,529
Highways and streets	53,299		53,299	72,290
Sanitation	26,295		26,295	22,007
Business-type activities:				
Sewer		<u>103,534</u>	<u>103,534</u>	<u>1,636</u>
Total expenses	<u>\$376,988</u>	<u>\$103,534</u>	<u>\$480,522</u>	<u>\$358,557</u>
Change in net assets	72,539	77,000	149,539	734,881
Net assets-beginning of year	<u>444,250</u>	<u>1,056,113</u>	<u>1,500,363</u>	<u>765,482</u>
Net assets-end of year	<u>\$516,789</u>	<u>\$1,133,113</u>	<u>\$1,649,902</u>	<u>\$1,500,363</u>

Financial Analysis of the Government's Funds

As noted earlier, Bridgewater Township, Washtenaw County, Michigan uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund. The focus of Bridgewater Township, Washtenaw County, Michigan's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Bridgewater Township, Washtenaw County, Michigan's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of this fiscal year.

The General Fund is the chief operating fund and only governmental fund of Bridgewater Township, Washtenaw County, Michigan. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$234,597.

The fund balance of Bridgewater Township, Washtenaw County, Michigan's General Fund increased by (\$75,262) during the current fiscal year.

Proprietary Fund - Bridgewater Township, Washtenaw County, Michigan's Proprietary Fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Fund at the end of the year amounted to \$133,790.

General Fund Budgetary Highlights

There were no significant differences between the original and final budget. All differences between the original budget and the final amended budget were immaterial and due to actual income and expenditures being slightly different than budgeted.

Actual licenses and permit income and zoning expenditures were significantly different from final budget figures because escrow activity was accounted for after the last budget amendment.

Capital Asset and Debt Administration

Capital assets. Bridgewater Township, Washtenaw County, Michigan's investment in capital assets for its governmental and business-type activities as of March 31, 2006, amounts to \$2,179,124 net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and sewer system.

Bridgewater Township, Washtenaw County, Michigan's Capital Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals 2006</u>	<u>2005</u>
Land	\$ 70,863	\$ 55,355	\$ 126,218	\$ 126,218
Buildings	62,930	53,202	116,132	64,241
Equipment	11,298		11,298	12,710
Sewer System	<u> </u>	<u>1,925,476</u>	<u>1,925,476</u>	<u>1,793,612</u>
 Total	 <u>\$ 145,091</u>	 <u>\$ 2,034,033</u>	 <u>\$ 2,179,124</u>	 <u>\$ 1,996,781</u>

Additional information on Bridgewater Township's capital assets can be found in Note 4 on page 22.

Long-term debt. At the end of the current fiscal year, Bridgewater Township, Washtenaw County, Michigan had total bonded debt outstanding of \$1,045,000. The debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds) from the Sewer Fund.

Bridgewater Township, Washtenaw County, Michigan's Outstanding Debt Revenue Bonds

	<u>Business-type Activities</u>
Revenue Bonds	<u>\$ 1,045,000</u>

Additional information on Bridgewater Township, Washtenaw County, Michigan's long-term debt can be found in Note 10, on page 25 - 26, of this report.

Economic Factors and Next Year's Budgets and Rates

The following is a summary of changes that the board expects for the fiscal year ending March 31, 2007. The board approved expenses totaling \$6,420 for the Master Plan Reaffirmation. The board also approved \$4,000 in expenses to allocate to the PDR program. The residents in the Sewer district will be billed monthly for sewer operations and maintenance expenses beginning June 1, 2006. The state grant funds for the sewer plant construction are complete as of March 31, 2006. The state grant funds for the sewer plant construction are complete as of March 31, 2006. No state grant funds will be received in future years.

Requests for Information

This financial report is designed to provide a general overview of Bridgewater Township, Washtenaw County, Michigan's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Bridgewater Township, 12176 McCollum Road, Clinton, Michigan 49236.

July 18, 2006

INDEPENDENT AUDITORS' REPORT

Bridgewater Township
Washtenaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bridgewater Township, Washtenaw County, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Bridgewater Township, Washtenaw County, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bridgewater Township, Washtenaw County, Michigan, as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2006 on our consideration of Bridgewater Township, Washtenaw County, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

July 18, 2006

Bridgewater Township
Washtenaw County, Michigan

The management's discussion and analysis on pages i through vii is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Robertson, Eaton & Owen, P.C.

July 18, 2006

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Bridgewater Township
Washtenaw County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bridgewater Township, Washtenaw County Michigan, as of and for the year ended March 31, 2006, which collectively comprise Bridgewater Township, Washtenaw County Michigan's basic financial statements and have issued our report thereon dated July 18, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Bridgewater Township, Washtenaw County Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

July 18, 2006

Bridgewater Township
Washtenaw County, Michigan

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Bridgewater Township, Washtenaw County Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of Bridgewater Township, Washtenaw County, Michigan, Departments of the State of Michigan, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robertson, Eaton & Owen, P.C.

**BRIDGEWATER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

STATEMENT OF NET ASSETS

March 31, 2006 and 2005

		PRIMARY GOVERNMENT			
		Governmental Activities	Business-Type Activities	2006	Total 2005
ASSETS:					
Current assets:					
Cash and cash equivalents	\$	364,335	\$ 100,398	\$ 464,733	\$ 416,237
Grant receivable			18,531	18,531	113,204
Taxes receivable		3,624		3,624	2,747
Accounts receivable		11,008	2,024	13,032	
Internal balances		(3,607)	3,607		
Due from tax account		8,052		8,052	9,571
Due from other governments		19,321	11,000	30,321	16,611
Special assessment receivable			765,868	765,868	814,010
Total current assets		402,733	901,428	1,304,161	1,372,380
Restricted assets:					
Cash and cash equivalents			10,290	10,290	63,493
Capital assets:					
Land		70,863	55,355	126,218	126,218
Buildings and improvements		98,329		98,329	98,329
Machinery and equipment		28,244		28,244	28,244
Construction in progress					1,793,612
Sewer system			1,966,444	1,966,444	
Accessory building			53,320	53,320	
Accumulated depreciation		(52,345)	(41,086)	(93,431)	(49,622)
Total noncurrent assets		145,091	2,044,323	2,189,414	2,060,274
Total Assets		547,824	2,945,751	3,493,575	3,432,654
LIABILITIES:					
Current liabilities:					
Accounts payable		2,904	1,770	4,674	7,299
Escrow deposits payable		28,131		28,131	15,982
Current portion of special assessments deferred revenue			50,249	50,249	
Current portion of bonds payable			50,000	50,000	50,000
Total current liabilities		31,035	102,019	133,054	73,281
Noncurrent liabilities:					
Special accessments deferred revenue			715,619	715,619	814,010
Noncurrent portion of bonds payable			995,000	995,000	1,045,000
Total liabilities		31,035	1,812,638	1,843,673	1,932,291
NET ASSETS:					
Invested in capital assets, net of related debt		145,091	989,033	1,134,124	901,781
Restricted for:					
Police services		44,491		44,491	39,862
Road improvements		92,610		92,610	65,400
Sewer construction			10,290	10,290	63,493
Unrestricted		234,597	133,790	368,387	429,827
Total net assets	\$	516,789	\$ 1,133,113	\$ 1,649,902	\$ 1,500,363

The notes to the financial statements are an integral part of this statement.

**BRIDGEWATER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

STATEMENT OF ACTIVITIES

For the Year Ended March 31, 2006

<u>Functions/Programs</u>	<u>Program Revenues</u>		<u>Net (expense) revenue and changes in net assets</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital grants and contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business type Activities</u>	<u>Total</u>
Governmental activities:						
General government	\$ 166,440	\$ 71,611	\$	\$ (94,829)	\$ (94,829)	\$ (98,647)
Public safety	130,954	11,752		(119,202)	(119,202)	(76,656)
Highways, streets, and bridges	53,299			(53,299)	(53,299)	(72,290)
Sanitation	26,295	1,181		(25,114)	(25,114)	(22,007)
Total governmental activities	376,988	84,544		(292,444)	(292,444)	(269,600)
Business-Type activities:						
Sewer Fund	103,534		106,013		2,479	644,731
Total business-type activities	103,534				2,479	644,731
Total primary government	\$ 480,522	\$ 84,544	\$ 106,013	\$ (292,444)	\$ (289,965)	\$ 375,131
General Revenues:						
Property taxes				234,414	234,414	226,564
State shared revenue				111,168	111,168	108,970
Investment earnings				13,502	47,655	22,958
Other				5,899	26,866	1,258
Total general revenues				364,983	74,521	359,750
Change in net assets				72,539	77,000	734,881
Net assets-beginning of year				444,250	1,056,113	765,482
Net assets-end of year				\$ 516,789	\$ 1,133,113	\$ 1,500,363

The notes to the financial statements are an integral part of this statement.

**BRIDGEWATER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

BALANCE SHEET

GOVERNMENTAL FUND

March 31, 2006 and 2005

		<u>General Fund</u>	
		<u>2006</u>	<u>2005</u>
ASSETS:			
Cash and cash equivalents		\$ 364,335	\$ 291,994
Taxes receivable		3,624	2,747
Accounts receivable		11,008	
Due from tax account		8,052	9,571
Due from other governments		<u>19,321</u>	<u>16,611</u>
Total assets		<u>\$ 406,340</u>	<u>\$ 320,923</u>
LIABILITIES:			
Accounts payable		2,904	6,505
Escrow deposits payable		28,131	15,982
Due to other funds		<u>3,607</u>	<u>2,000</u>
Total liabilities		<u>34,642</u>	<u>24,487</u>
FUND BALANCES:			
Reserved for:			
Police services		44,491	39,862
Roads		92,610	65,400
Unreserved		<u>234,597</u>	<u>191,174</u>
Total fund balance		<u>371,698</u>	<u>296,436</u>
Total liabilities and fund balance		<u>\$ 406,340</u>	<u>\$ 320,923</u>
Total governmental fund balances		\$ 371,698	\$ 296,436
Amount reported for governmental activities in the statement of net assets are different because:			
Capital assets used in the governmental activities are not financial resources and are not reported in the funds			
The cost of the capital asset is		197,436	197,436
The accumulated depreciation is		<u>(52,345)</u>	<u>(49,622)</u>
Net assets of governmental activities		<u>\$ 516,789</u>	<u>\$ 444,250</u>

The notes to the financial statements are an integral part of this statement.

**BRIDGEWATER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUND

For the Years Ended March 31, 2006 and 2005

	<u>General Fund</u>	
	<u>2006</u>	<u>2005</u>
Revenues:		
Property taxes:		
General	\$ 62,714	\$ 60,615
Roads	74,653	72,152
Police	97,047	93,797
Charges for services:		
Licenses and permits	43,295	13,380
Ambulance and fire	11,752	12,428
Administrative and collection fees - taxes	28,316	30,068
Waste reduction	1,181	
State shared revenue	111,168	108,970
Metro authority	2,838	2,578
Investment earnings	13,502	4,269
Miscellaneous	<u>3,061</u>	<u>37,539</u>
Total revenues	<u>449,527</u>	<u>435,796</u>
 Expenditures:		
Current:		
General government	163,717	139,372
Public safety	130,954	120,529
Highways, streets, and bridges	53,299	72,290
Sanitation	<u>26,295</u>	<u>22,007</u>
Total expenditures	<u>374,265</u>	<u>354,198</u>
 Net changes in fund balance	75,262	81,598
 Fund balance -- beginning of year	<u>296,436</u>	<u>214,838</u>
 Fund balance -- end of year	<u>\$ 371,698</u>	<u>\$ 296,436</u>

The notes to the financial statements are an integral part of this statement.

**BRIDGEWATER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

**Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
To the Statement of Activities**

For the Year Ended March 31, 2006

Net change in fund balances-total governmental funds	\$ 75,262
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Amounts reported for governmental activities in the Statement of Activities are different because:
Governmental funds report capital outlays as expenditures. However, in the statement of activities
these costs are allocated over their estimated useful lives as depreciation

Depreciation expense	(2,723)
Capital outlay	<u>0</u>

Change in net assets of governmental activities	<u>\$ 72,539</u>
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The notes to the financial statements are an integral part of this statement.

**BRIDGEWATER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –BUDGET AND ACTUAL
For the Year Ended March 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:				
Property taxes:				
General	\$ 62,435	\$ 62,682	\$ 62,714	\$ 32
Roads	72,344	74,616	74,653	37
Police	94,047	96,997	97,047	50
Charges for services:				
Licenses and permits	17,475	23,797	43,295	19,498
Ambulance and fire	12,000	12,000	11,752	(248)
Administrative and collection fees	22,660	28,297	28,316	19
Waste reduction	500	1,681	1,181	(500)
Sewer operating	7,500	7,500		(7,500)
Metro Authority			2,838	2,838
State shared revenue	111,714	112,672	111,168	(1,504)
Investment earnings	3,000	9,541	13,502	3,961
Miscellaneous	2,975	5,899	3,061	(2,838)
Total revenues	<u>406,650</u>	<u>435,682</u>	<u>449,527</u>	<u>13,845</u>
Expenditures:				
General Government				
Township Board	8,290	8,066	6,754	1,312
Supervisor	17,098	18,834	18,604	230
Assessor	20,990	21,432	20,230	1,202
Clerk	16,297	16,524	16,481	43
Treasurer	19,463	20,185	20,169	16
Legal and audit fees	9,150	12,650	11,476	1,174
Boards of Review and Appeals	1,528	1,528	1,287	241
Building and grounds	6,400	6,309	3,153	3,156
Cemetery	1,550	1,550	1,385	165
Insurance	5,500	6,383	6,383	
Planning Commission	24,008	24,701	13,785	10,916
Zoning	9,625	10,011	31,250	(21,239)
Ordinance enforcement	2,750	2,750	2,687	63
Printing and publishing	1,900	2,436	2,238	198
Membership dues	2,100	2,100	1,553	547
Payroll taxes	6,500	6,500	5,161	1,339
Miscellaneous	5,490	5,645	199	5,446
Election	2,250	2,250	922	1,328
Total general government	<u>160,889</u>	<u>169,854</u>	<u>163,717</u>	<u>6,137</u>
Public safety:				
Fire department	39,500	39,700	38,536	1,164
Police services-County	94,047	95,880	90,218	5,662
Police substation	2,200	2,200	2,200	
Mineral license board	2,290	2,290		2,290
Total public safety	<u>138,037</u>	<u>140,070</u>	<u>130,954</u>	<u>9,116</u>
Highways, streets and bridges:				
Highways, streets and bridges	74,919	75,182	50,281	24,901
Street lights	3,250	3,250	3,018	232
Total highways, streets and bridges	<u>78,169</u>	<u>78,432</u>	<u>53,299</u>	<u>25,133</u>
Sanitation:				
Clean-up day	4,500	5,350	5,338	12
Drain at large	17,000	14,740	14,740	
Sewer operating	7,500	7,500	6,217	1,283
Total sanitation	<u>29,000</u>	<u>27,590</u>	<u>26,295</u>	<u>1,295</u>
Total expenditures	<u>406,095</u>	<u>415,946</u>	<u>374,265</u>	<u>41,681</u>
Net changes in fund balance	555	19,736	75,262	55,526
Fund balance-beginning of year			<u>296,436</u>	
Fund balance-end of year			<u>\$371,698</u>	

The notes to the financial statements are an integral part of this statement.

**BRIDGEWATER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

STATEMENT OF NET ASSETS

PROPRIETARY FUND

March 31, 2006 and 2005

	Business-Type Activities – Enterprise Fund Sewer Fund	
	<u>2006</u>	<u>2005</u>
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$ 100,398	\$ 124,243
Grant receivable	18,531	113,204
Accounts receivable	2,024	
Due from other governments	11,000	2,000
Due from other funds	<u>3,607</u>	<u></u>
Total current assets	<u>135,560</u>	<u>239,447</u>
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	<u>10,290</u>	<u>63,493</u>
Special assessment receivable	<u>765,868</u>	<u>814,010</u>
Capital assets:		
Land	55,355	55,355
Construction in progress		1,793,612
Sewer system	1,966,444	
Accessory building	53,320	
Accumulated depreciation	<u>(41,086)</u>	<u></u>
Total capital assets	<u>2,034,033</u>	<u>1,848,967</u>
Total assets	<u>\$ 2,945,751</u>	<u>\$ 2,965,917</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 1,770	\$ 794
Current portion of special assessments deferred revenue	50,249	
Current portion of bonds payable	<u>50,000</u>	<u>50,000</u>
Total current liabilities	<u>102,019</u>	<u>50,794</u>
Noncurrent liabilities:		
Noncurrent portion of bonds payable	995,000	1,045,000
Deferred revenue – special assessment	<u>715,619</u>	<u>814,010</u>
Total noncurrent liabilities	<u>1,710,619</u>	<u>1,859,010</u>
Total liabilities	<u>1,812,638</u>	<u>1,909,804</u>
NET ASSETS:		
Invested in capital assets, net of related debt	989,033	753,967
Restricted for:		
Sewer construction	10,290	63,493
Unrestricted	<u>133,790</u>	<u>238,653</u>
Total net assets	<u>\$ 1,133,113</u>	<u>\$ 1,056,113</u>

The notes to the financial statements are an integral part of this statement.

**BRIDGEWATER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUND

For the Years Ended March 31, 2006 and 2005

	Business-Type Activities – Enterprise Fund	
	Sewer Fund	
	<u>2006</u>	<u>2005</u>
Operating expenses:		
Collection system maintenance	2,135	
Hauling	2,482	
Materials and supplies		842
Utilities	1,478	794
Miscellaneous	340	
Depreciation	41,086	
Communications	<u>552</u>	<u> </u>
Total operating expenses	<u>48,073</u>	<u>1,636</u>
Operating loss	(48,073)	(1,636)
Nonoperating revenues (expenses)		
Special assessments	50,249	124,544
Interest income	47,655	18,689
Grant revenue	55,764	521,823
Other revenue	26,866	
Special assessment expenses	(21,795)	
Interest expense	(33,666)	
Loss on sale of land	<u> </u>	<u>(7,414)</u>
Total nonoperating revenues (expenses)	125,073	657,642
Change in net assets	77,000	656,006
Net assets—beginning of year	<u>1,056,113</u>	<u>400,107</u>
Net assets – end of year	<u>\$ 1,133,113</u>	<u>\$ 1,056,113</u>

The notes to the financial statements are an integral part of this statement.

**BRIDGEWATER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

STATEMENT OF CASH FLOWS-

PROPRIETARY FUND

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

For the Years Ended March 31, 2006 and 2005

	Business-Type Activities – Enterprise Fund	
	Sewer Fund	
	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Cash paid to suppliers	\$ (6,011)	\$ (842)
Net cash used in operating activities	<u>(6,011)</u>	<u>(842)</u>
Cash flows from non-capital financing activities:		
Cash paid to other funds	<u>(1,607)</u>	<u> </u>
Net cash used in non-capital financing activities	(1,607)	
Cash flows from capital and related financing activities:		
Special assessments	28,454	124,544
Grant received	150,437	412,549
Other revenue	15,866	
Bond proceeds		1,095,000
Capital outlay	(226,152)	(1,578,792)
Repayment of principal	(50,000)	
Interest payments	<u>(33,666)</u>	<u> </u>
Net cash provided by (used in) capital and related financing activities	(115,061)	53,301
Cash flows from investing activities:		
Land sale-net loss		(7,414)
Interest income	<u>45,631</u>	<u>18,689</u>
Net cash provided by investing activities	<u>45,631</u>	<u>11,275</u>
Net increase (decrease) in cash and cash equivalents	(77,048)	63,734
Cash and cash equivalents – beginning of year	<u>187,736</u>	<u>124,002</u>
Cash and cash equivalents – end of year	<u>\$ 110,688</u>	<u>\$ 187,736</u>

The notes to the financial statements are an integral part of this statement.

**BRIDGEWATER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES

For the Years Ended March 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating loss	\$ (48,073)	\$ (1,636)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	41,086	
Increase (decrease) in:		
Accounts payable and other liabilities	<u>976</u>	<u>794</u>
Net cash used in operating activities	<u><u>\$ (6,011)</u></u>	<u><u>\$ (842)</u></u>

The notes to the financial statements are an integral part of this statement.

**BRIDGEWATER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUND

March 31, 2006 and 2005

	Agency Fund	
<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Cash and cash equivalents	\$ 8,083	\$ 9,571
Total assets	<u>\$ 8,083</u>	<u>\$ 9,571</u>
<u>LIABILITIES</u>		
Due to other funds	\$ 8,052	\$ 9,571
Due to other taxing units	<u>31</u>	<u>0</u>
Total liabilities	<u>\$ 8,083</u>	<u>\$ 9,571</u>

The notes to the financial statements are an integral part of this statement.

**BRIDGEWATER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Bridgewater Township, Washtenaw County, Michigan (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

Effective April 1, 2004, Bridgewater Township, Washtenaw County, Michigan implemented the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Significant changes in the statement include the following:

- ◆ A Management's Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations has been included with the financial statements.
- ◆ Financial statements prepared using full accrual accounting for all of the Township's activities.
- ◆ A change in the fund financial statements to focus on the major fund.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). Bridgewater Township has elected to implement the general provisions of the statement.

A. Reporting Entity

The Township of Bridgewater is a noncharter township, governed by a Board of Trustees. As required by generally accepted accounting principles, these financial statements present Bridgewater Township as a primary government. There are no component units to the Township.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

**BRIDGEWATER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

March 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and a fiduciary fund, even though the latter are excluded from the government-wide financial statements. A major governmental fund and a major enterprise fund are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Amounts due from other governments and services provided associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The *General Fund* is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

The government reports the following major proprietary fund:

The *Sewer Fund* accounts for the acquisition, operation, and maintenance of the Township's sewer system.

Additionally, the government reports the following fund type:

The *Fiduciary Fund (Tax Collection Fund)* is an agency fund used to account for assets that the government holds on behalf of others (including other funds of the Township) as their agent.

**BRIDGEWATER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

March 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities (Sewer Fund), subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments of utility charges between the Township's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various function concerned.

Amounts reported as *program revenues* included 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The Proprietary Fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund will be charged to customers for sales and services. Operating expenses for this fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Assets, liabilities, and net assets or equity.

1. Cash and investments

Cash includes amounts in cash on hand, demand deposits, except those deposits noted as investments (see below), as well as short-term investments with a maturity date within three months of the date acquired by the government.

**BRIDGEWATER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

March 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments may include money market and certificates of deposit where the intent is to hold funds long-term, as well as investments with maturity dates over three months of the date acquired by the government.

State statutes authorize the government to invest in Obligations of the U.S. Treasury, Federal Agencies, commercial paper, corporate bonds, repurchase agreements, and State approved Investment Pools.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. The Township had no advances between funds at March 31, 2006.

Personal property taxes receivable is shown net of an allowance for uncollectibles.

The Township property tax is levied on each December 1 on the taxable value of property located in the Township as of the preceding December 31.

The Township's 2005 ad valorem tax was levied and collectible on December 1, 2005. It is the Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are made available for the financing of Township operations. Payment from the County Delinquent Tax Fund, which purchases the 2005 delinquent real property taxes, is recorded as a receivable and recognized as revenue in the current fiscal year.

The 2005 taxable value of Bridgewater Township totaled \$75,769,095, on which ad valorem taxes levied for all Township purposes are \$234,296. Millage rate is 3.0923.

BRIDGEWATER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Restricted assets

Restricted cash in the Sewer Fund represents funds held by the County for sewer construction costs.

4. Capital Assets

Capital assets, which include land, buildings, equipment, and sewer system, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	75
Equipment	20

5. Long-term obligations

In the governmental-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt is reported as a liability.

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The reserve for Roads represents the portion of fund balance segregated for the specific use of maintaining roads in future years. The reserve for Police services represents the portion of fund balance segregated for the specific purpose of providing police services in future years. The enterprise fund statements report a reserve for Sewer Construction which represents the restricted cash held by Washtenaw County for the construction of the sewer system.

The government-wide statement of net assets reports \$1,649,902 of net assets, of which \$147,391 is restricted by enabling legislation.

**BRIDGEWATER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The accounting basis used by the Township for budgeting is in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Township follows the budgetary procedures outlined by the State of Michigan including public hearings and proper adoption. The General Fund of the Township has a budget. All annual appropriations lapse at fiscal year end. The budgets are amended during the year as needed.

B. Excess of expenditures over appropriations in budgetary funds

P.A. 621 of 1978, Section 18(1), as amended, of the State of Michigan provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2006, the Township incurred expenditures in the General Fund which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund			
General Government:			
Zoning	\$ 10,011	\$ 31,250	\$ (21,239)

These additional expenditures were funded by greater than anticipated revenues in the case of the General Fund.

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits.

Custodial Credit Risk-Deposits. Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned to the Township. The Township does not have a deposit policy for custodial credit risk. As of March 31, 2006, \$381,433 of the Township's bank balance of \$481,433 is exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$381,433</u>
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**BRIDGEWATER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2006 is as follows:

	<u>Balance April 1, 2005</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balance March 31, 2006</u>
Governmental activities:				
Assets not being depreciated -Land	\$ 70,863	\$ _____	\$ _____	\$ 70,863
Buildings and improvements	98,329			98,329
Machinery and equipment	<u>28,244</u>	<u> </u>	<u> </u>	<u>28,244</u>
Depreciable capital assets	<u>126,573</u>	<u> </u>	<u> </u>	<u>126,573</u>
Accumulated depreciation-buildings and improvements	34,088	1,311		35,399
Accumulated depreciation-machinery and equipment	<u>15,534</u>	<u>1,412</u>	<u> </u>	<u>16,946</u>
Total accumulated depreciation	<u>49,622</u>	<u>2,723</u>	<u> </u>	<u>52,345</u>
Net depreciable capital assets	<u>76,951</u>	<u>(2,723)</u>	<u> </u>	<u>74,228</u>
Governmental activities net capital assets	<u>\$ 147,814</u>	<u>\$ (2,723)</u>	<u>\$ _____</u>	<u>\$ 145,091</u>
Business-type activities:				
Land	\$ 55,355	\$ _____	\$ _____	\$ 55,355
Construction in progress	1,793,612	172,832	1,966,444	
Sewer system		1,966,444		1,966,444
Accessory building	<u> </u>	<u>53,320</u>	<u> </u>	<u>53,320</u>
Depreciable capital assets	<u>\$1,793,612</u>	<u>\$2,192,596</u>	<u>\$1,966,444</u>	<u>\$ 2,019,764</u>
Accumulated depreciation-sewer system	\$ _____	\$ 40,968	\$ _____	\$ 40,968
Accumulated depreciation-accessory building	<u> </u>	<u>118</u>	<u> </u>	<u>118</u>
Total accumulated depreciation	<u>\$ _____</u>	<u>\$ 41,086</u>	<u>\$ _____</u>	<u>\$ 41,086</u>
Net depreciable capital assets	<u>\$1,793,612</u>	<u>\$2,151,510</u>	<u>\$1,966,444</u>	<u>\$ 1,978,678</u>
Business-type activities net capital assets	<u>\$1,848,967</u>	<u>\$2,151,510</u>	<u>\$1,966,444</u>	<u>\$ 2,034,033</u>

Depreciation expense charged to functions is as follows:

Governmental activities:	
General government	<u>\$ 2,723</u>
Total depreciation expense-governmental activities	<u>\$ 2,723</u>
Business-type activities:	
Sewer Fund	<u>\$ 41,086</u>
Total depreciation expense-business-type activities	<u>\$ 41,086</u>

**BRIDGEWATER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

March 31, 2006

NOTE 5. INTERFUND BALANCES AND TRANSFERS

Interfund balances

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. All balances at March 31, 2006 are expected to be repaid within the next fiscal year.

<u>Fund</u>	<u>Due from</u>	<u>Fund</u>	<u>Due to</u>
Sewer	<u>3,607</u>	General	<u>3,607</u>
	<u>\$ 3,607</u>		<u>\$ 3,607</u>

NOTE 6. RESERVED FUND BALANCE – ROADS

In November 2000, voters approved a special millage of 1.0 for the improvement and maintenance of Township roads. The unexpended portion of property taxes for roads is shown as a restricted part of fund balance.

Road activity for the year is as follows:

Reserved fund balance – roads at March 31, 2005	\$ 65,400
Add: Property taxes-Roads for 2005-06	74,653
Metro Authority revenue	2,838
Less: Road expenditures for 2005-06	<u>(50,281)</u>
Reserved fund balance-roads at March 31, 2006	<u>\$ 92,610</u>

NOTE 7. RESERVED FUND BALANCE – POLICE SERVICES

The Township has a voted millage for police services which started with December 2000 tax billing. Police services are under contract with Washtenaw County which began January 1, 2002. The unexpended portion of these taxes collected are reserved. The reserved balance at March 31, 2006 was \$44,491.

**BRIDGEWATER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 7. RESERVED FUND BALANCE – POLICE SERVICES (Continued)

Police activity for the year is as follows:

Reserved fund balance-police at March 31,2005	\$ 39,862
Add: Property taxes-Police for 2005-06	97,047
Less: Police expenditures for 2005-06	<u>(92,418)</u>
Reserve fund balance – police at March 31, 2006	<u>\$ 44,491</u>

NOTE 8. WESTERN WASHTENAW CONSTRUCTION AUTHORITY

As of January 2000, the Village of Manchester and the Townships of Manchester, Freedom, and Bridgewater have created an Authority to provide for the joint enforcement and administration of construction codes and other related municipal ordinances. The Authority has replaced the Building Departments in the participating municipalities – collecting and retaining building permits and paying all related expenses, including the fees of building inspectors. The fiscal year of the Authority is July 1 through June 30. All participating units provided start-up funds for the Authority. A condensed representation of the audited financial position of Western Washtenaw Construction Authority at June 30, 2005 follows:

GENERAL FUND:

<u>BALANCE SHEET</u>		<u>STATEMENT OF REVENUES AND EXPENDITURES</u>	
Total assets	\$ 131,761	Total revenues	\$ 124,103
Total liabilities	<u>31,743</u>	Total expenditures	<u>117,265</u>
Net assets	<u>\$ 100,018</u>	Excess of revenues over expenditures	<u>\$ 6,838</u>

NOTE 9. SEWER FUND

Bridgewater Township has completed construction of its sewer system. A special assessment district has been established to provide partial funding. The special assessment roll was approved October 23, 2001. Additional funding will be provided by a State grant and a bond issue through the County.

A grant from the State became effective for expenses and work done after April 1, 2002. The grant reimbursement to the Township is 34% of project costs except land acquisition. As of March 31, 2006, total State grant funds of \$655,449 have been expended.

**BRIDGEWATER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 9. SEWER FUND (Continued)

On April 16, 2003, the Bridgewater Township Board of Trustees approved a contract between the County of Washtenaw and Bridgewater Township for the Bridgewater Wastewater System. This contract provides for the acquisition, construction, and financing of the Bridgewater sewer project and authorizes the County to issue bonds to finance the project, to be secured by the full faith and credit of the Township, and the full faith and credit of the County.

NOTE 10. LONG TERM LIABILITIES

Business-type activities

As of September 1, 2004, Bridgewater Township issued bonds totaling \$1,095,000 for construction of a new sewer system. (See Note 9.)

The schedule of long term liability activity is as follows:

	Sewer Fund Sanitary Wastewater System Project Bonds Series 2004
Balance April 1, 2005	\$ 1,095,000
Decreases	<u>(50,000)</u>
Balance March 31, 2006	1,045,000
Less: current portion	<u>(50,000)</u>
Total due after one year	<u>\$ 995,000</u>

Debt service requirements at March 31, 2006, are as follows:

**COUNTY OF WASHTENAW, STATE OF MICHIGAN
WASHTENAW COUNTY – BRIDGEWATER TOWNSHIP
SANITARY WASTEWATER SYSTEM PROJECT BONDS, SERIES 2004**

<u>Year</u>	<u>Principal Due June 1</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 50,000	\$ 38,644	\$ 88,644
2008	50,000	37,144	87,144
2009	50,000	35,644	85,644
2010	50,000	34,144	84,144
2011	65,000	32,419	97,419
2012-2016	325,000	128,943	453,943
2017-2021	325,000	65,382	390,382
2022-2026	<u>130,000</u>	<u>6,337</u>	<u>136,337</u>
	<u>\$ 1,045,000</u>	<u>\$ 378,657</u>	<u>\$ 1,423,657</u>

**BRIDGEWATER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 10. LONG TERM LIABILITIES (Continued)

**COUNTY OF WASHTENAW, STATE OF MICHIGAN
WASHTENAW COUNTY – BRIDGEWATER TOWNSHIP
SANITARY WASTEWATER SYSTEM PROJECT BONDS, SERIES 2004**

Year Ended March 31,	Principal Due June 1	Interest Rate	Interest Due June 1	Interest Due December 1	Total Principal & Interest Requirements
2007	\$50,000.00	3.000%	\$19,696.88	\$18,946.88	\$88,643.76
2008	50,000.00	3.000%	18,946.88	18,196.88	87,143.76
2009	50,000.00	3.000%	18,196.88	17,446.88	85,643.76
2010	50,000.00	3.000%	17,446.88	16,696.88	84,143.76
2011	65,000.00	3.000%	16,696.88	15,721.88	97,418.76
2012	65,000.00	3.250%	15,721.88	14,665.63	95,387.51
2013	65,000.00	3.500%	14,665.63	13,528.13	93,193.76
2014	65,000.00	3.625%	13,528.13	12,350.00	90,878.13
2015	65,000.00	3.750%	12,350.00	11,131.25	88,481.25
2016	65,000.00	3.875%	11,131.25	9,871.88	86,003.13
2017	65,000.00	4.000%	9,871.88	8,571.88	83,443.76
2018	65,000.00	4.100%	8,571.88	7,239.38	80,811.26
2019	65,000.00	4.150%	7,239.38	5,890.63	78,130.01
2020	65,000.00	4.250%	5,890.63	4,509.38	75,400.01
2021	65,000.00	4.375%	4,509.38	3,087.50	72,596.88
2022	65,000.00	4.500%	3,087.50	1,625.00	69,712.50
2023	<u>65,000.00</u>	5.000%	<u>1,625.00</u>	<u>0.00</u>	<u>66,625.00</u>
	<u>\$1,045,000</u>		<u>\$199,176.94</u>	<u>\$179,480.06</u>	<u>\$1,423,657.00</u>

NOTE 11. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (worker's compensation). The Township participates in two public entity risk pools for its insurance coverage. Any settled claims relating to the insurance have not exceeded the amount of insurance coverage in any of the past three years.

**BRIDGEWATER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

TAX COLLECTION FUND

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended March 31, 2006

<u>ASSETS</u>	<u>Balance April 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2006</u>
Cash in bank	<u>\$ 9,571</u>	<u>\$ 2,567,645</u>	<u>\$ 2,569,133</u>	<u>\$ 8,083</u>
<u>LIABILITIES</u>				
Due to other funds	\$ 9,571	\$ 2,567,614	\$ 2,569,133	\$ 8,052
Due to other taxing units	<u> </u>	<u> 31</u>	<u> </u>	<u> 31</u>
Total liabilities	<u>\$ 9,571</u>	<u>\$ 2,567,645</u>	<u>\$ 2,569,133</u>	<u>\$ 8,083</u>